



Billing code: 6325-38

OFFICE OF PERSONNEL MANAGEMENT

Federal Employees' Retirement System;

Normal Cost Percentages

AGENCY: Office of Personnel Management.

ACTION: Notice.

SUMMARY: The Office of Personnel Management (OPM) is providing notice of revised normal cost percentages for employees covered by the Federal Employees' Retirement System (FERS) Act of 1986.

DATES: The revised normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2019. Agency appeals of the normal cost percentages must be filed no later than November 19, 2019.

ADDRESSES: Send or deliver agency appeals of the normal cost percentages and requests for actuarial assumptions and data to the Board of Actuaries, care of Gregory Kissel, Senior Actuary, Office of Healthcare and Insurance, Office of Personnel Management, Room 4316, 1900 E Street NW., Washington, DC 20415.

FOR FURTHER INFORMATION CONTACT: Karla Yeakle, (202) 606-0299.

SUPPLEMENTARY INFORMATION: The FERS Act of 1986, Pub. L. 99-335, created a new retirement system intended to cover most Federal employees hired after 1983. Most Federal employees hired before 1984 are under the older Civil Service Retirement System (CSRS). Section 8423 of title 5, United States Code, as added by the FERS Act of 1986, provides for the payment of the Government's share of the cost of the retirement system under

FERS. Employees' contributions are established by law and constitute only a portion of the cost of funding the retirement system; employing agencies are required to pay the remaining costs. The amount of funding required, known as "normal cost," is the entry age normal cost of the provisions of FERS that relate to the Civil Service Retirement and Disability Fund (Fund). The normal cost must be computed by OPM in accordance with generally accepted actuarial practices and standards (using dynamic assumptions). The normal cost calculations depend on economic and demographic assumptions. Subpart D of part 841 of title 5, Code of Federal Regulations, regulates how normal costs are determined.

In its meeting on June 1, 2017, the Board of Actuaries of the Civil Service Retirement System (the Board) recommended revisions to the long term economic assumptions and recommended changes to the demographic assumptions used in the actuarial valuations of CSRS and FERS. The economic assumptions have decreased from the previous long term economic assumptions. The demographic assumptions include assumed rates of mortality, employee withdrawal, retirement, and merit and longevity pay increases. The revised demographic assumptions are generally based on the recent ten-year or twenty-year experience under the retirement systems, modified to reflect expected future experience where applicable. OPM has adopted the Board's recommendations.

On October 25, 2017, OPM published revised regulations related to the calculation of the FERS normal cost percentages. These regulations clarified the employee categories OPM uses to compute the FERS normal cost percentages and added a category of normal cost percentage for employees of the U.S. Postal Service. Because these revised regulations had not been published when the Board met on June 1, 2017, the recommended demographic

assumptions reflect expected government-wide experience rather than separate postal-specific and non-postal specific experience. For non-postal employees, the normal cost percentage will reflect the economic assumptions and government-wide demographic assumptions determined by the Board at its June 1, 2017, meeting. The normal cost percentages for employees of the Postal Service will also reflect the economic assumptions determined by the Board at its June 1, 2017, meeting but will use demographic assumptions that are based on assumptions specific to the expected experience of postal employees.

With regard to the economic assumptions described under section 841.402 of title 5, Code of Federal Regulations, used in the actuarial valuations of FERS, the Board concluded that it would be appropriate to assume a rate of investment return of 4.50 percent, a reduction of 0.75 percent from the existing rate of 5.25 percent. In addition, the Board determined that the assumed inflation rate should be reduced 0.50 percent from 3.00 percent to 2.50 percent, that the assumed rate of FERS annuitant Cost of Living Adjustments should remain at 80 percent of the assumed rate of inflation, and that the projected rate of General Schedule salary increases should be reduced 0.50 percent from 3.25 percent to 2.75 percent. These salary increases are in addition to assumed within-grade increases. These assumptions are intended to reflect the long term expected future experience of the Systems.

The demographic assumptions are determined separately for each of a number of special groups, in cases where separate experience data is available. Based on the demographic and economic assumptions described above, OPM has determined the normal cost percentage for each category of employees under section 841.403 of title 5, Code of Federal Regulations.

Section 5001 of Public Law 112-96, The Middle Class Tax Relief and Jobs Creation Act of 2012, established provisions for FERS Revised Annuity Employees (FERS-RAE). The law permanently increases the retirement contributions by 2.30 percent of pay for these employees. Subsequently, Section 401 of Public Law 113-67, the Bipartisan Budget Act of 2013, created another class of FERS coverage, FERS-Further Revised Annuity Employee (FERS-FRAE). Employees subject to FERS-FRAE must pay an increase of 1.30 percent of pay above the retirement contribution percentage set for FERS-RAE. Separate normal cost percentages apply for employees covered under FERS-RAE and for employees covered under FERS-FRAE.

The normal cost percentages for each category of employee, including the employee contributions, are as follows:

NORMAL COST PERCENTAGES FOR FERS, FERS-REVISED ANNUITY EMPLOYEE (RAE), AND FERS-FURTHER REVISED ANNUITY (FRAE) GROUPS			
GROUP	FERS NORMAL COST (PERCENT)	FERS-RAE NORMAL COST (PERCENT)	FERS-FRAE NORMAL COST (PERCENT)
Members	23.5	17.3	17.5
Congressional employees, including members of the Capitol Police.....	25.2	19.4	19.6
Law enforcement officers, members of the Supreme Court Police, firefighters, nuclear materials couriers, customs and border protection officers, and employees under section 302 of the Central Intelligence Agency Retirement Act of 1964 for certain employees.....	34.7	35.2	35.4

Air traffic controllers.....	34.5	35.0	35.1
Military reserve technicians	19.5	19.9	20.2
Employees under section 303 of the Central Intelligence Agency Retirement Act of 1964 for certain employees (when serving abroad).....	23.8	24.4	24.6
Other employees of the United States Postal Service	15.5	15.9	16.1
All other regular FERS employees.....	16.8	17.3	17.5

Under section 841.408 of title 5, Code of Federal Regulations, these normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2019.

The time limit and address for filing agency appeals under sections 841.409 through 841.412 of title 5, Code of Federal Regulations, are stated in the DATES and ADDRESSES sections of this notice.

Office of Personnel Management.

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